

***SBAExpress* Questions and Answers**

Question: What is SBAExpress?

Answer: *SBAExpress*, formerly FA\$TRAK, was established by the SBA to streamline and expedite the loan approval process for smaller SBA loans. Under the program, lenders are allowed to use mostly their own forms and procedures to process loans under \$150,000. These loan applications are then processed by SBA's highly efficient loan processing center in Sacramento, CA. In return for the increased authority and autonomy provided under this program, lenders agree to accept a 50 percent loan guaranty maximum, which contrasts with SBA's traditional 75-80 percent guaranty, and also agree to defer payment on any defaulted loans until liquidation has been completed.

Question: How long will it take to process a loan application under the program?

Answer: *SBAExpress's* loan review process has been highly streamlined and computerized, so in many cases loan applications can be processed almost immediately. However, we have committed to a maximum turnaround time of less than 36 hours.

Question: When will the SBAExpress program become effective?

Answer: October 1, 1998.

Question: What is the target audience for this program?

Answer: The program was designed primarily to reduce the cost, paperwork, and red-tape associated with smaller loans both for lenders and the SBA. *SBAExpress* is therefore targeted to lenders and is expected to encourage more lenders to participate with SBA loan programs. But, in reducing the processing costs of smaller loans, the program is also expected to greatly expand the availability of these loans. We believe this will benefit many small businesses, particularly the Agency's New Markets, which are comprised of women, minorities, veterans, exporters, and rural or urban markets.

Question: What is the difference between the former FA\$TRAK program and the new SBAExpress?

Answer: The new *SBAExpress* will be extended to additional lenders, and several new features have been added to the program, including:

- The maximum loan size will be increased from \$100,000 to \$150,000;

- The original FA\$TRAK program was limited to 18 pilot participants; SBAExpress will be offered to qualified SBA Preferred Lenders (PLP) and some non-PLP lenders in mostly rural areas;
- Collateral will not be required for loans of \$25,000 or less;
- Lenders will be allowed to use their own established collateral policy for loans over \$25,000;
- SBA will incorporate Internet loan processing to help expedite the loan approval process;
- An increased emphasis on the availability of revolving lines of credit under the program;
- SBAExpress loans may be sold on the secondary market; and
- Purchases of SBAExpress loans will be centralized in SBA's Little Rock and Fresno loan servicing centers.

Question: What are the eligibility requirements for lenders to participate in the program?

Answer: Due to the level of autonomy and authority delegated to lenders under the program, the program is limited mostly to SBA's PLP lenders which also must:

- Have a currency rate of 93 percent for loans approved in the past three years;
- Have received an acceptable rating as a result of its most recent SBA lender review;
- Be current by 10/1/98 in filing required SBA monthly 1502 reports (and remain so);
- Be current by 10/1/98 in remitting required SBA guaranty and servicing fees (and remain so);
- Be capable by 4/1/99 of transmitting SBAExpress loans via the Internet; and,
- Be and remain in good standing with its regulatory authority(ies).

However, SBA has identified 35 of its districts with limited PLP lender activity, so these offices will each be allowed to nominate two non-PLP lenders to participate in SBAExpress. In addition to the above requirements, these non-PLP lenders must have:

- Participated with SBA for at least the last three years;
- Processed at least three SBA loans per year for each of the last three years; and,
- Been reviewed and received an acceptable rating as a result of an SBA lender review (by headquarters or the field office) in the last year.

Question: How many lenders are expected to participate in SBAExpress?

Answer: We estimate that about 348 PLP lenders and 70 non-PLP lenders will participate bringing the total number of participants to about 418.

Question: **Does the SBA expect to expand the program to additional lenders?**

Answer: We are continuing to closely track and monitor the performance of *SBAExpress*, which is to remain a pilot through FY 2001. While we do not have any immediate plans to expand the program beyond PLP lenders, we are working to expand the PLP program, so lenders interested in *SBAExpress* should consider seeking the Agency's Preferred Lender designation. SBA District Offices can provide further details.

Question: **How does a lender apply for participation in the program?**

Answer: PLP lenders should contact Rich Taylor in SBA's Sacramento PLP Processing Center at 660 J Street, Sacramento, CA 95814-2413 or 916-498-6446. A non-PLP lender should contact its local SBA District Office.

Question: **How many loans does SBA expect to approve under the *SBAExpress* program?**

Answer: We estimate that about 11,000 *SBAExpress* loans will be approved for \$790 million in FY 1999 and about 16,000 loans for \$1.2 billion in FY 2000.

Question: **What is expected to be the average size of an *SBAExpress* loan?**

Answer: Under the FA\$TRAK program, which had a loan maximum of \$100,000, the average was \$44,000. We expect the average under *SBAExpress*, with its new maximum of \$150,000, to increase to about \$70,000.

Questions: **The SBA seems to be delegating considerable authority to its lenders under *SBAExpress*. Does this increase the Agency's risk or potentially expose it to greater portfolio losses?**

Answer: We are confident that the program is conceptually sound, but we have also built in several safeguards. First, SBA's guaranty is limited to 50 percent, which significantly limits the Agency's exposure, particularly vis-a-vis participating lenders. Also, participation in the program has been limited to SBA's best performing, most experienced lenders. In addition, the Agency is currently developing a significantly enhanced system of program monitoring and oversight. This system is comprised of a comprehensive, new lender monitoring and reporting system that will provide up-to-date information on loan loss and currency data by individual lender. In addition, lenders participating in *SBAExpress* will be reviewed as part of the SBA's expanded lender review

process. Finally, *SBAExpress* will continue through FY 2000 as a pilot program, and as such will be subject to continuing and especially close program monitoring and oversight, including monthly risk management assessments. If problems do develop, the Agency will quickly identify those problems and initiate corrective action.